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September 10, 2007

Mr. Steve Hill, Administrator
Health Care Authority
PO Box 42700
Olympia, WA 98504-2700

Benefits Administration / Insurance Accounting System (BAIAS) Project
Quality Assurance Report

Dear Mr. Hill:

The enclosed report represents quality assurance findings and recommendations for the BAIAS Project through the month of August. We have attended Steering Committee meetings, Advisory Group meetings, project team meetings, and working sessions with various staff and stakeholders. The project was focused on preparing a new RFP to secure an integrator and has:

➢ Conducted discussions with successful integrators about the BAIAS project;

➢ Incorporated the selection of SAP software to meet the HCA's business needs;

➢ Consulted with executives within the HCA to validate the project's business goals, scope and values;

➢ Released the new RFP in late August emphasizing business transformation; and

➢ Conducted an acquisition process for BPR services.

We are concerned about adequate staffing within the project and are offering a new recommendation to address this concern.

> *Recommendation #4:* **Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.**

A summary of recommendation status is included as Appendix A attached to this report. Please don't hesitate to call Julie Boyer or myself at 360.956.9064 if you have any questions or concerns.

Sincerely,

Kathleen Nolte

Kathleen Nolte
Director

Enclosure
cc: Gary Robinson, Department of Information Services
     Beth Dupre, Deputy Administrator
     Mary Fliss, Assistant Administrator
     Heide Cassidy, Project Manager
     Tom Parma, Department of Information Services

Washington State Health Care Authority

Benefits Administration / Insurance Accounting System Project

QUALITY ASSURANCE

Periodic Report

July 1 through August 31, 2007

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Quality Assurance Findings—*What is…*

◆ Environment

■ In June, the Heath Care Authority (HCA) cancelled the initial RFP for an integrator and business system and acquired SAP software through a sole source contract. Along with the acquisition of the SAP software, the HCA made a decision to conduct another acquisition process using a new RFP to select an integrator for the BAIAS project. The HCA has approached the new procurement process thoughtfully and made a conscious effort to reduce the risks associated with the project whenever possible. The HCA recognized that the acquisition process would not produce an integrator until early in 2008 and that the project needed to maintain momentum internally and externally. The HCA decided to initiate a business process redesign (BPR) effort to formally document current business processes and to learn more about the SAP software.

■ Public Knowledge has been chosen to support HCA's BPR efforts, which will occur between now and when the integrator arrives in early 2008. It is hoped that this effort will create interest and enthusiasm about the project internally and externally and set the stage for the organizational changes that will need to occur as current business processes undergo a transformation and the SAP software is implemented.

■ The HCA business system will be a separate SAP installation from the financial management application for Department of Natural Resources or the human resources application for Department of Personnel. Like BAIAS, each of these installations interface with AFRS. The HCA expects to utilize the benefits module and the public sector collections and disbursements module, neither of which are being utilized in these other installations. Lessons learned from each of these projects will be invaluable to the BAIAS project who has been deliberately incorporating previous projects' lessons into its approach.

■ At the request of the Office of Financial Management (OFM), HCA will contact their staff again to discuss BAIAS project plans, guidelines and standards to be followed by the project, and OFM's expectations of the BAIAS project. If there are any differences between HCA's and OFM's understanding, they can be analyzed to determine the potential impact on the project.

Quality Assurance Findings—*What is…*

- ◆ Approach

  - ▪ The HCA met with several large integrators during July to discuss the planned approach to the BAIAS project and solicit feedback from the integrators on ways to make the project successful and reduce project risks. Accenture, Bearing Point, Deloitte, IBM and Sierra Systems provided HCA with many valuable ideas and suggestions that could be incorporated into the procurement process and general approach. Each of these integrators used this opportunity to ask HCA questions about its business, values, and operational challenges.

  - ▪ The HCA released an RFP on August 24, 2007, to procure an integrator to design and implement the new business system using the SAP software. The procurement is being handled through General Administration's Office of State Procurement. Responses to the RFP are due back on October 9, 2007.

  - ▪ The HCA is refining the RFP evaluation tools and processes based on recently received advice and its past experience. As was done in the past, the HCA will utilize expertise from other agencies to help with the evaluation process. Preparation of all individuals involved in the evaluation will occur before the responses are due in early October. The evaluation process will begin on the day the responses are due and extend into December. The HCA hopes to announce the apparently successful vendor by the end of December and begin contract negotiations in early January.

  - ▪ The HCA hopes to have Public Knowledge on site to begin working on BPR activities before the end of September. The core team is preparing information to orient Public Knowledge to the BAIAS project and HCA's business. HCA hopes to incorporate staff from some of their partners in the BPR activities along with the core team. This participation by experts outside of HCA should make it easier to document some of the key end-to-end processes while educating the core team on how partner organizations use HCA tools and products. Subsequently, the HCA will be better informed about the possible impacts internally and externally to changing current business processes.

Quality Assurance Findings—*What is…* (continued)

- ◆ Schedule
  - ▪ While additional detail has been added to the schedule, the acquisition phase of the project remains steady with the completion of contract negotiations with the new integration vendor in March 2008.

  - ▪ The HCA expects the integrator to be responsible for developing and maintaining an integrated project plan with built-in resource levels and dependencies. Until the project completes the Gap Analysis Phase, the project won't have the benefit of a fully integrated project plan to help guide and monitor its progress. In the meantime, the HCA will manage with separate work plans for the acquisition phase and the BPR activities.

    - ➢ *See Previous Recommendation #1 in Appendix A*

- ◆ Expectations
  - ▪ Expectations about the approach to implementing the SAP software may not be consistent between HCA and staff in Statewide Financial Systems of OFM . The HCA will meet with some of the system technicians from OFM to review the high-level approach planned for implementation and how it addresses existing system development directives and guidelines. If any differences are identified as a result of the meeting, they can be raised and resolved in order to maintain common expectations about the intended outcomes of the BAIAS project.

Quality Assurance Findings—*What is...* (continued)

◆ Resources

- In late July, a transition occurred between project managers that was nearly invisible outside the project management office. Both individuals continue to work on the project and can step in to cover for each other without extraordinary effort.

- The project team member hired to lead the BPR and Change Management efforts began work in mid-July. BPR activities are rapidly increasing and preparations are being made for the arrival of Public Knowledge.

- Despite their ongoing efforts, the project has not filled the project analyst, budget / fiscal analyst or communication specialist positions. The administrative assistant position will become vacant in late September as another staff resignation takes place.

- Some staff have been hired to backfill core team members and should be prepared to assume their duties and allow the core team to concentrate on project activities. The project manager is working with the supervisors of core team members to clarify duties and plan for a smooth transition.

- As the project asks its partners to participate full time on its activities, the issue of backfills within the partner organizations has arisen. The project has not yet addressed the resource issue associated with supporting backfills in other organizations and was not prepared to respond when asked directly about the availability of funding for backfills.

- Workloads continue to exceed the resources available and some project staff are expending more than full time effort on the work that needs to be done. The lack of adequate resources and expertise also results in some work not being done at all.

- Attempting to describe the planned resources for the project within the RFP resulted in confusion and disagreement about what is already authorized and what will need to be requested as part of a supplemental budget request.

  ➢ ***RECOMMENDATION #4:*** *Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.*

Quality Assurance Findings—*What is…* (continued)

- ◆ Leadership
  - ▪ Individuals in leadership positions have been accessible and supportive of any requests for clarification or advice as the RFP for a new integrator was revised and prepared for release. These individuals also spent time personally meeting with each of the five vendors who traveled to Olympia to discuss the BAIAS project during July. This commitment of time and energy and expression of confidence in the project by these leaders helps increase the likelihood of success of the project.

- ◆ Controls
  - ▪ The current project schedule has not been maintained since the departure of the project analyst. Until more staff are added to the project and managers have time to devote to planning, the necessary project controls and processes will not be developed. Given the planned arrival of an integrator in 2008, the project should be able to address this risk in a timely manner.

- ◆ Communication
  - ▪ While the communication specialist has not been hired to support the work identified in the revised Communication Plan, the Change Management Director is planning to address some of the communication needs and initiated contact with staff members that had languished for several months.
    - ➢ *See Previous Recommendation #3 in Appendix A*

Quality Assurance Findings—*What is...* (continued)

◆ **Credibility and Integrity**

   ▪ Credibility and integrity with external vendors increased as HCA invited the vendors with proven track records as successful integrators to discuss the BAIAS project. The HCA asked the vendors for their suggestions and ideas about how to approach the development of the new business system and each of the vendors generously responded. The vendors were very complimentary of having HCA conduct these interactive discussions and invest their resources in such a process. The HCA hopes the sessions result in each of these vendors submitting proposals to become the integrator for the BAIAS project.

◆ **Commitment**

   ▪ Despite the disappointment associated with having to extend the acquisition period and release another RFP, project executives and managers have maintained a positive attitude and optimistic perspective about the BAIAS project. Each of the individuals exhibits commitment and support when involved in project activities or representing the project to other organizations.

Appendix A - Summary of Recommendations

Quality Assurance Recommendations

Recommendations	Aug 2006	Oct 2006	Dec 2006	Feb 2007	April 2007	June 2007	Aug 2007	Status / Comments
1 Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	➤	➤	➤	➤	➤	➤	➤	In progress. This will be in progress until the gap analysis phase is completed.
3 Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communication.	➤	➤	➤	➤	➤	➤	➤	No change in status.
4 Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.							☆	New recommendation.

☆ Recommendation made ✓ Recommendation implemented ➤ In progress ✗ Recommendation not yet implemented
Recommendations not included have been closed for more than one month.